

Bullion sales hit record in rush to safety

By Javier Blas, Commodities Correspondent

Investors are buying record amounts of gold bars and coins, shunning risky assets for the relative safety of bullion amid renewed fears about the health of the global financial system.

The US Mint sold 92,000 ounces of its popular American Eagle coin last month, almost four times that which it sold a year ago and more than it shipped during all of the first half of 2007.

Other countries' mints have also reported strong sales. "Large purchases of coins are perhaps the ultimate sign of safe-haven gold buying," said John Reade, a precious metal strategist at UBS.

Inflows into gold-backed exchange traded funds surged in January, pushing their bullion holdings to an all-time high of 1,317 tonnes. Last month's flows of 105 tonnes were above Septem-



Sources: Barclays Capital; Thomson Reuters

ber's previous record of 104 tonnes, and absorbed about half the world's gold mine output for January, said Barclays Capital.

"We estimate that investment demand [into gold] could double in 2009 compared to 2007," said Mr Reade. "Purchases of physical gold have jumped over the last six months as investors' fears about the current financial crisis... have intensified."

The move into gold is being

driven by the very rich, with bankers saying that some clients are hoarding gold in their vaults. UBS and Goldman Sachs said last week that investor hoarding would drive prices back above \$1,000 an ounce. Yesterday gold was trading at \$892 an ounce.

Traders and analysts said jewellery demand, historically the backbone of gold consumption, had collapsed under the weight of the high prices. Sharp falls in



demand in the key markets of India, Turkey and the Middle East have capped the potential of any price rally.

But the lack of jewellery demand has not discouraged investors.

Jonathan Spall, director of commodities at Barclays Capital in London, said: "We have seen more new inquiries about investing in gold so far this year than during the whole of 2008."

Philip Klapwijk, chairman of GFMS, the precious metal consultancy, said that investors were buying gold because of fears about the global financial system rather than looking for a quick gain. "This is a new round of safe haven buying," he said.

GFMS estimated bullion coin demand last year reached its highest level in 21 years.